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SUBJECT: UN SCALE OF ASSESSMENT: JAPAN AND US SHARE VIEWS  
ON SCALE OF ASSESSMENT REGARDING CHINA, THE BASE PERIOD,  
AND THE CEILING RATE

¶1. On September 8, Japanese Amb. Toshiro Ozawa demarched Amb. Wallace on the UN scale of assessment for the period 2007-2009, raising two specific areas of interest: 1) China's role in scale of assessment and 2) the debate over the length of the base period to be used in the methodology.

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Increasing China's assessment rate  
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¶2. Amb. Ozawa relayed information he had received regarding SYG Annan's recent trip to Beijing, asking Amb. Wallace to confirm his information with the Secretariat (note: Amb. Wallace is arranging a meeting with Assistant SYG Bob Orr to confirm the Japanese accounts). According to Ozawa, Annan raised the issue of China's assessment rate during the first 30 minutes of their recent bilateral, noting in particular China's increased engagement in UN activities. Although Annan did not refer to a specific level of an increase, President Hu was apparently taken aback by having this issue raised, and deferred the issue to his State Counselor. While the Chinese were marginally more flexible than the Russians during the GA's consideration of the scale methodology last March in which Japan argued to send its proposal of a P5 floor to the Committee on Contributions for consideration, the Chinese will not agree to any proposal to increase their assessment rates if it appears to be the result of Japanese pressure.

¶3. After recalling that the U.S. had proposed a P5 floor for the regular budget scale in both 1997 and 2000, Amb. Ozawa stressed the need to create a strategy to approach the Chinese on this issue. To this end, Amb. Ozawa met with UK Deputy Permanent Representative Karen Pierce on the issue and is planning to meet next with the French. Pierce was in support of a dialogue between the U.S., UK, France and China. However, it is Japan's view that the UK and France would be best positioned to initially approach the Chinese on the possibility of increasing its assessment rate, with the U.S. being brought in to the discussion at a later stage. Ultimately, Amb. Ozawa hopes to convene a meeting between the Japanese, French, UK, and U.S. to craft a strategy. Amb. Wallace agreed with this approach, noting the need to proceed carefully to prevent the external appearance of a Japanese, French, UK, and U.S. collective plan on the scale.

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Keeping the base period short  
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¶4. Amb. Ozawa emphasized Japan's opposition to lengthening the base period to 6 years (which is expected to be at the core of the EU group position on the scale methodology). Ozawa noted that the historical trend has been to shorten the length of the base period, and that generally speaking a shorter base period is advantageous to OECD countries, which usually have slower rates of economic growth than developing

countries. He stated that Japan will strongly push for a 3 year base period, and it believes that some G-77 countries will do the same. In his meeting with Pierce, Ozawa appealed that the EU not take such a myopic approach on the length of the base period. Ozawa is concerned that if the Japanese and EU openly disagree on the base period it will create an opportunity for the G-77 to exploit the differences between the major financial contributors, and he appealed to Amb. Wallace for U.S. assistance in resolving this matter. Amb. Wallace assured Ozawa that the U.S. also believes a shorter base period is preferable.

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Keeping the ceiling at 22 per cent  
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¶4. Amb. Wallace concluded the meeting by underscoring the strong U.S. view that the ceiling must not be raised above its current 22 percent cap. Amb. Ozawa responded that the ceiling was not specifically mentioned in the Japanese proposal but was factored in at its current level. However, it would be difficult for Japan to take a public position in support of the ceiling given its proposal to reduce Japan's current assessment rate. Nevertheless, in answer to Amb. Wallace's appeal for support on maintaining the level, Amb. Ozawa said Japan would provide tacit and private support to the USG position as negotiations occur. Ozawa also conveyed his belief that the EU would not seriously challenge the ceiling level and is much more intent on lengthening the base period.

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